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RUEHTA/AMEMBASSY ASTANA PRIORITY 0119
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RUEAIIA/CIA WASHINGTON DC PRIORITY
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S E C R E T SECTION 01 OF 03 BAKU 000900

SIPDIS

DEPT FOR EB/ESC, EUR/CARC
DEPT FOR EB/ESC, EUR/CARC
DEPT FOR S/EEE AMB MORNINGSTAR AND DSTEIN
DEPT FOR EB/ESC DAS DOUG HENGEL
DEPT FOR S/CT FOR GROBERTSON, DKURSCH, CLARKS
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TAGS: [PREL](#) [ENRG](#) [AJ](#) [RU](#) [TX](#) [KZ](#) [IR](#)

SUBJECT: AZERBAIJAN: PRESIDENTIAL ADVISOR PREDICTS THAT
TENSIONS OVER THE IRANIAN DRILLING RIG WILL ESCALATE

REF: A. BAKU 877

[1](#)B. BAKU 866

[1](#)C. BAKU 818

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Classified By: Charge Donald Lu
Reasons 1.4 (B,D, E)

[1](#)1. (S) SUMMARY: Charge, Naval Attache, and Regional Energy Officer met on 16 November with Ali Asadov, senior energy advisor to President Aliyev, to discuss recent movements of the Iranian Alborz drilling rig into Azerbaijani claimed territorial waters. Asadov told us that President Aliyev was aware of the situation, and considered it 'difficult and complex.' He also told us that Iranian actions had a 'provocative character,' and that the situation will escalate. Asadov highlighted Iran's continued interest in Caspian energy resources, and its willingness to militarize the Caspian Sea to achieve its aims. He believes that Iran and Russia are taking advantage of the current poor state of Azerbaijani-Turkish relations and stalled gas transit discussions to kill prospects for transit of Azerbaijani and Turkmen gas to international markets. Asadov highlighted prospects for energy resource flows to stop if there is a military confrontation. End summary.

'This Tension will Escalate'

[1](#)2. (S) Asadov was aware of and concerned about the Alborz rig situation, but would not confirm the rig's location or Azerbaijani Caspian boundary claims. Charge Lu shared releasable information provided by Washington with Asadov, to which he responded, "This situation is challenging, your information shows this. This tension will escalate." Asadov did not outline specific responses the Azerbaijani government planned to undertake. Rather, like many of our GOAJ interlocutors, Asadov appears to be gathering information and weighing Azerbaijani options, in light of superior Iranian

naval strength.

Status Quo Ante No Longer Holds

13. (S) Asadov described as 'the status quo' an agreement between Azerbaijan and Iran - in force since 2001 - not to exploit the resources in this disputed area of the Caspian. He told us that, in 2001, Azerbaijan attempted to explore the Alov oil field with BP vessels. (Note: Asadov was then President Heydar Aliyev's Assistant and witness to the event. End note.) The GOAJ was dissuaded from further exploration activities by Iranian vessel and plane activity. Asadov described Turkish assistance in sending military planes to Baku for demonstration flights, largely to send a message to the Iranian regime.

14. (S) Asadov told Charge that after this confrontation, the GOAJ and Iranian government agreed not to conduct petroleum exploration and production activities in this disputed area, until final resolution of Caspian Sea demarcation. Asadov noted the GOAJ's commitment to avoid militarization of the Caspian region, which he described as incompatible with energy activities.

Violation is Provocative

15. (S) Charge Lu inquired whether the GOAJ regarded the movement of the Alborz rig as a violation of the existing agreement. Asadov stated, "Yes, this is a technical violation like many others, but this one is different because of its provocative character." Asadov indicated the Iranian actions were designed to elicit a response from the GOAJ.

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Iran was also communicating its continued interest in the region, and willingness to protect these interests.

Russia and Iran Collude to Block Region's Energy Exports

16. (S) Asadov stated that the Iranian incursion "was not only about Iran, but about our northern neighbor (Russia)." He told us that Russia was increasing military pressure in the Caspian Sea, placing obstacles in the path of a possible Trans-Caspian Pipeline, and preventing Azerbaijan's energy cooperation with Turkmenistan. He described Russia's goal as preventing the transport of Azerbaijani and Central Asian gas to world markets. He noted that of all of the countries in the region, only Azerbaijan's energy resources were now exported to world Markets without transiting Russia. Russia, he declared, blocked Kazakhstan and Turkmenistan. He also described Russia as eager to thwart thawing relations between Azerbaijan and Turkmenistan.

Timing no Accident vis-a-vis Turkey

17. (S) Asadov outlined his core concern: Iran and Russia are taking advantage of the current poor state of Azerbaijani-Turkish relations and stalled gas transit discussions to kill the prospects for transit of Azerbaijani and Turkmen gas to international markets. Asadov underscored, "I believe this moment was chosen with a purpose," and indicated that Iran was taking advantage of the current "coldness in relations between us and Turkey." He noted that Iran did not like Azerbaijan's warm relations with the U.S. and Israel (Ref C), and its export of energy resources to the west.

18. (S) Asadov lamented that an 'insignificant gas misunderstanding between us and Turkey now leads to this.' He noted that the original ACG and Shah Deniz energy contracts were signed 15 years ago, when Azerbaijan first

gained its independence. Now, as the country was about ready to sign a major expansion of Shah Deniz for the project's second phase, 'someone has interfered.'

Energy Exports at Grave Risk

¶9. (S) Asadov explained that the GOAJ would respond within its capabilities, but lacked the ability to mount a significant military response. "You know our military capacity on our borders. We do not have enough capacity. We need military assistance." He further highlighted that, "With even the smallest conflict in the region, all energy activity in the Caspian Sea will be stopped." Asadov indicated that it was not in Azerbaijan's interests to escalate the confrontation unnecessarily, stating "you carry a gun so that others will think twice."

Moving Forward

¶10. (S) After discussion of possible areas of cooperation, Charge and Asadov agreed to several concrete steps:

-- (S) Asadov will brief President Aliyev on information provided during the meeting, including the releasable intelligence provided.

-- (S) The USG will continue efforts via its Defense Threat Reduction Agency (DTRA) program to repair the Astara Automatic Identification System (AIS) and radar. While this radar does not cover the sector in question, it will

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nonetheless enhance the GOAJ's limited maritime domain awareness (MDA).

-- (S) Asadov agreed to contact the Ministry of Foreign Affairs to jumpstart the approval process for the FLOWER SHORE intelligence relationship proposal, which has been stalled for several months in the MFA (ref A).

-- (S) Following up on the recent visit to Baku by Vice Admiral Clingan (ref B), and in light of concern about the Alborz, Asadov agreed that the GOAJ will draft to USNAVEUR a letter outlining specific GOAJ assistance requests.

-- (S) Charge described standard international procedures when a nation's waters have been trespassed for registering a complaint with the U.N.'s International Maritime Organization (ref A). Asadov agreed to direct the Azerbaijani Maritime Administration to work with the Embassy Naval Attache to provide the GOAJ with additional technical details on this process, and to explore possible non-military responses to the situation.

-- (S) Asadov agreed to seek additional technical details on: any instructions provided to the Navy and/or Coast Guard regarding Azerbaijan's borders, to clarify whether they are charged with patrolling to the Astara-Hasangulu line (the former Soviet Border), or only to the modified median line proposal under discussion by the Caspian littoral states; any Azerbaijani names for the block in which the Alborz was located (commonly referred to as Iranian block 6); and the role of the Azerbaijani Navy in a situation in which the GOAJ has until now given the lead to the Coast Guard.

Comment

¶11. (S) The strategic picture that Asadov painted was grim: the strategic encirclement of Azerbaijani and Central Asian energy resources by Russia and Iran, assisted, wittingly or unwittingly, by Turkey. According to Asadov's assessment, Turkey's gas transit dispute with Azerbaijan, hitherto a commercial issue, has morphed into a broader strategic and

security issue, for Azerbaijan, the EU and U.S. With Azerbaijan now effectively hemmed in by Turkey on westward transit of its gas, Asadov also believes that Iran and Russia are now poised to squelch prospects of Turkmen gas coming west for the foreseeable future. The Embassy agrees that escalation of military tensions in the southern Caspian could serve as a disincentive for further western energy firm interest in a Trans-Caspian pipeline.

¶12. (S) This meeting was our first indication of Presidential engagement on the Alborz rig movement. Follow-on actions from this meeting should provide us with some details on how President Aliyev assesses this situation and if the GOAJ intends to respond beyond its current ship deployments.
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